

## Message Text

CONFIDENTIAL

PAGE 01 MANILA 01733 071017Z

13

ACTION EA-10

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FM AMEMBASSY MANILA  
TO SECSTATE WASHDC 474

C O N F I D E N T I A L MANILA 1733

E.O. 11652: GDS  
TAGS: SGEN, RP  
SUBJECT: VETERANS CLAIMS

SS: (A) STATE 258748 (1974 SERIES)  
(C) MANILA 8044 (1974 SERIES)  
(C) MANILA 14374 (1974 SERIES)

SUMMARY: PRESIDENTIAL DECREE PROMULGATED JANUARY 21, 1975, APPORTIONS UNEXPENDED FUNDS PROVIDED GOP UNDER 1967 US-RP CLAIMS SETTLEMENT AGREEMENT. PORTION OF FUNDS TO BE INVESTED IN VETERAN-RELATED PURPOSES, ANOTHER PART TO BE RESERVED TO PAY UNADJUDICATED CLAIMS WITH RELATIVE SMALL AMOUNT TO BE USED TO PAY MEDICARE AND LOANS TO VETERANS NOT COVERED BY THE AGREEMENT. EMB BELIEVES LATTER USE IS BEYOND SCOPE OF ABOVE AGREEMENT. EMB PLANS TO BRING MATTER TO ATTENTION OF GOP; BUT TO FACILITATE APPROACH, REQUEST AUTHORITY TO DISCUSS AMENDMENT TO AGREEMENT PREVIOUSLY PROPOSED BY EMB IN REFTELS. REQUEST DEPT'S COMMENTS. END SUMMARY

1. BY PRESIDENTIAL DECREE NUMBER 642, GOP HAS APPORTIONED BALANCE (83 MILLION PESOS OF ORIGINAL 121,368,000 PESOS) OF VETERANS CLAIMS SETTLEMENT FUND UNEXPENDED AFTER PAYMENT OF 62,721 CLAIMS FOR CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANILA 01733 071017Z

BACK PAY AND REFUND OF ERRONEOUS BACK PAY DEDUCTIONS

UNDER US-RP AGREEMENT ON SETTLEMENT OF VETERANS CLAIMS  
(TIAS 6295, 18 UST 1392, DATED JUNE 29, 1967) FOR  
VARIOUS PURPOSES. DECREE APPORTIONS THE 83 MILLION  
PESO BALANCE AS FOLLOWS: (1) 49 MILLION PESOS TO  
PHILIPPINE VETERANS BANK FOR PURCHASE OF CAPITAL  
STOCK IN BANK; (2) 24 MILLION PESOS FOR PAYMENT OF  
UNADJUDICATED REMAINING CLAIMS UNDER VETERANS CLAIMS  
AGREEMENT; (3) 8 MILLION PESOS FOR COVERING SUBSCRIPTION  
OF CAPITAL IN PHILIPPINE VETERANS DEVELOPMENT  
CORPORATION; (4) 2 MILLION PESOS TO PHILIPPINE VETERANS  
ASSISTANCE COMMISSION TO PROVIDE MEDICARE AND LOANS  
TO ALL PHILIPPINE VETERANS. IN ISSUING DECREE,  
PRESIDENT MARCOS STRESSED THE NEED TO INVEST IN PRO-  
JECTS WHICH ARE LABOR-INTENSIVE, AND PRODUCTIVE  
OF HIGH RETURNS, TO PREVENT THE STAGNATION OF THE  
SAID FUNDS, WITHOUT PREJUDICE TO THE SETTLEMENT OF  
UNPAID CLAIMS. UNQUOTE DECREE AND OFFICIAL NEWS  
RELEASE POICCHED EA/PHL.

2. IT APPEARS TO EMB THAT PORTIONS OF ABOVE DECREE  
EXCEED THE PROVISIONS OF THE US-RP AGREEMENT ON THE  
SETTLEMENT OF VETERANS CLAIMS CITED ABOVE. PARA 4  
OF SAID AGREEMENT RESTRICTS THE UTILIZATION OF FUNDS  
PROVIDED GOP TO THE PAYMENT OF BACK PAY TO RECOGNIZED  
GUERRILLAS WHOSE NAMES APPEAR ON THE REVISED FINAL  
ROSTER OF MARCH 1948. PARTS OF THE DECREE WOULD  
ALLOW FUNDS TO BE USED FOR MEDICALAND DISABILITY  
PAYMENTS, SUPPORT OLD AGE HOMES AND PROVIDE SMALL  
BUSINESS LOANS TO ALL VETERANS, NOT RESTRICTED TO THE  
CLASS OF VETERAN SPECIFIED IN THE AGREEMENT. SOME  
QUESTION COULD ALSO BE RAISED OF INVESTMENT ASPECT  
OF THE DECREE, BUT WE BELIEVE A REASONABLE CASE COULD  
BE MADE THAT SUCH VETERAN RELATED USE OF FUNDS IS MERELY  
ALTERNATE WAY OF INVESTING THE FUNDS IN QUESTION AND  
1967 AGREEMENT DOES NOT SPECIFY HOW FUNDS SHOULD BE  
PRESERVED PENDING THEIR USE OF PAYMENT OF CLAIMS.  
THEREFORE, THERE DOES NOT APPEAR TO BE GROUNDS FOR  
USG TO OBJECT TO SUCH INVESTMENTS. HOWEVER, THE  
FUNDS TO BE USED FOR MEDICARE ANDLOANS TO NON-  
AGREEMENT VETERALS (2 MILLION PESOS) ARE FOR PURPOSES  
CONFIDENTIAL

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PAGE 03 MANILA 01733 071017Z

NOT SPECIFIED IN THE AGREEMENT. THEREFORE,EMB  
BELIEVES IT IS DESIRABLE TO BRING TO ATTENTION OF  
GOP THE POSSIBLE CONFLICT WITH THE INTERNATIONAL  
AGREEMENT IF THEY FULLY IMPLEMENT THE PRESIDENTIAL  
DECREE, AS NOW WRITTEN.

3. ALTHOUGH EVENTS HAVE NOW SOMEWHAT OVERTAKEN EMB  
PROPOSED LIMITED AMENDMENT OF CLAIMS AGREEMENT TO

PERMIT GOP TO UTILIZE UNUSED FUNDS FOR LIMITED WWII  
PHILIPPINE VETERANS PURPOSES, WE BELIEVE IT WOULD  
FACILITATE OUR APPROACH TO GOP IF WE HAD AUTHORITY TO  
PROPOSE TO THEM A POSSIBLE ALTERNATE METHOD FOR THEM  
TO LEGALLY UTILIZE THE 2 MILLION PESO FUND WHICH THEY  
HAVE NOW DESIGNATED FOR NON-AGREEMENT PURPOSES.  
WHILE EMB PREVIOUSLY PROPOSED AMENDMENT (REFTEL B)  
WOULD NOT SATISFY ALL GOP DESIRES REFLECTED IN DECREE,  
IT MAY CAUSE THEM TO PAUSE AND BE INTERESTED IN  
EXPLORING LEGAL OPTIONS THAT COULD BE AVAILABLE IN  
GOVERNMENT-TO-GOVERNMENT NEGOTIATIONS ON SUBJECT.  
GOP MAY BE WILLING TO ACCEPT AMENDMENT AS CONSTRUCTIVE  
WAY OF CONFORMING THEIR ACTIONS WITH 1967 AGREEMENT  
AND WHICH WILL ONLY REQUIRE A SLIGHT MODIFICATION OF  
NEW DECREE. FACT DECREE HAS BEEN PUBLICIZED COULD  
CAUSE SOME PROBLEMS, BUT GOP HAS FREQUENTLY NEGATED  
ITS OWN DECREES, AND WE THINK MAY BE PREPARED TO DO  
SO THIS CASE IF WE HAVE ALTERNATE PROPOSAL TO MAKE.

4. ACTION REQUESTED: (1) DEPT'S COMMENTS ON PRESIDENTIAL DECREE VIS A VIS US-RP VETERANS CLAIMS SETTLEMENT AGREEMENT, AND (2) AUTHORITY TO EXPLORE WITH SELECTED GOP AUTHORITIES THE PROPOSED AMENDMENT RECOMMENDED IN REFTEL B. THIS WOULD STILL BE ONLY PRELIMINARY EXPLORATION OF SUBJECT WITHOUT 175 AUTHORITY UNTIL WE ASCERTAIN GOP REACTION. IF GOP REACTION AT ALL FAVORABLE, 175 AUTHORITY THEN COULD BE FORMALLY OBTAINED AND OTHER ACTIONS TAKEN WHICH WERE SUGGESTED IN REFTEL A.

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